



MEMORANDUM

To: Representative Town Meeting
From: Karl F. Kilduff, Town Administrator
Date: June 8, 2015
Re: Town Hall Union Contract Settlement

The Town recently came to terms with the Town Hall Union on a new collective bargaining agreement. The Union ratified the terms of a successor agreement on Thursday, June 4, 2015. The new contract would run from July 1, 2014 through June 30, 2018. This bargaining unit contains 30 members. The highlights of the contract include:

Salaries:

Contract Year	General Wage Increase
July 1, 2014 – June 30, 2015	1.75%
July 1, 2015 – June 30, 2016	2.50%
July 1, 2016 – June 30, 2017	2.50%
July 1, 2017 – June 30, 2018	2.50%

By way of comparison, the wage rate for the retro year of the contract is below the statewide average for arbitration awards and negotiated settlements for that year (2.18% and 2.36% respectively). The three others years of the contract are well within the range of statewide negotiated settlements which have seen settlements topping out at 2.66%.

The cost of the wage settlement for FY 14-15 and FY15-16 are well within the amount reserved in the budget for contract settlements. It should also be noted that this is an essentially mature bargaining unit with the majority of employees at the top step.

Additional Benefits:

The parties agreed that longevity payments will cease for all new hires. Current employees will continue to receive the benefit. Longevity is paid as a separate sum and not impacted by adjustments to wage growth.

A cap will be put in place on the pension plan which mirrors the pension cap already negotiated with four Board of Education units. Mirroring the language already adopted by the RTM, the maximum pension benefit for this group will be 70% of the employee's average annual compensation. More senior incumbent employees with 25 years of service can accrue a maximum benefit of 75%. As was the case with settlements the Town reached the Board of Education units, this language sunsets with the grandfathered employees. Without such language, it is possible for employees to accrue a benefit equal to their working pay (assuming a career with the Town of 50 years).

Health Insurance:

The new contract moves all members of the bargaining unit into a high deductible plan and other, more expensive plan options will be closed. The high deductible plan will be the Town's only offering in FY 16-17. FY15-16 allows employees to "buy-up" to the other plans, but the Town's financial contribution is limited to the expense of the high deductible plan only. The "Buy-Up" provision creates a market mechanism to foster greater adoption of the high deductible plan earlier.

Based on current rates of enrollment, the savings to the Town exceeds \$35,000.00. Savings will continue into FY16-17 for the Town. The high deductible plan bends the cost curve to curb the rate of future premium growth.

The contract also includes a re-opener to negotiate the impacts of the Excise Tax which is part of the Affordable Care Act (the Cadillac Tax). This allows the Town to start discussing the tax in January 2017 and position this bargaining unit appropriately with sufficient time before the tax is implemented. The re-opener only concerns healthcare.

Summary:

The proposed contract settlement is a fair outcome and presents new opportunities to control future costs.